

This report was prepared in response to Intent language passed during the 2016 General Session. The Utah State legislature asked DSAMH for a response to the following: “

Direct the Department of Human Services and Department of Health, with the Wasatch and Box Elder/Cache/Rich Local Substance Abuse Authorities (LSAAs), to explore moving from fee-for-service to a capitated payment for SUD treatment provided through Medicaid and to assess the potential associated costs or savings, and report the results to the Legislative Fiscal Analyst (LFA) by January 1, 2018.

**Definitions:**

**Fee-for-Service:** A method in which doctors and other health care providers are paid for each service performed. Examples of services include tests and office visits.

**Capitated payments:** Capitated payments control use of health care resources by putting the provider at financial risk for services provided to patients. ... Capitation is a fixed amount of money per patient per month paid in advance to the provider for the delivery of health care services.

**Background:**

As part of the Utah Department of Human Services, the Division of Substance Abuse and Mental Health (DSAMH) contracts with local county governments who are statutorily designated as local substance abuse authorities and local mental health authorities to provide prevention, treatment, and recovery services. DSAMH provides policy direction, monitoring, and oversight to Utah’s 29 counties. Utah’s Medicaid program is administered by the Utah Department of Health. The county local authorities have contracted with the Utah Department of Health to provide mental health and substance use disorder services to Medicaid beneficiaries.

The State of Utah established the Utah Prepaid Mental Health Plan (UPMHP) in July 1991, in part with the objective of controlling the costs of inpatient mental health treatment for Medicaid beneficiaries provided in acute care hospitals. One of the stated goals of the UPMHP also was to increase the use of outpatient treatment settings. Prior to the UPMHP, Utah ranked very low among the 50 States in per capita outpatient mental health treatment expenditures. It was hoped that some of the dollars freed up by reduced reliance on inpatient care would be used to expand outpatient treatment programs. Wasatch County has remained fee-for-service for mental health services since that time. In 2013, Medicaid capitated substance use disorder treatment services in 11 of the thirteen catchment areas shifted to this payment model. Wasatch County and Bear River (Box Elder, Cache, Rich Counties) areas of the State remained operating on a fee-for-service model for substance use disorder services.

**Discussion:**

DSAMH has reached out to the local substance abuse authorities in Wasatch and Bear River (Box Elder, Cache, Rich) for a response. Brock Alder, Director of Bear River Substance Abuse and Juergen Korbanka, Executive Director of Wasatch Mental Health, reached out to County Commissioners and discussed the feasibility of making this change. At this time, neither area believes that capitation would be beneficial. Both Directors articulated similar rationales for remaining fee-for service. In both areas, the population of individuals with substance use disorder (SUD) who are Medicaid eligible is much smaller than the population of individuals with mental illness who are Medicaid eligible. Bear River reported that about 12 to 13 percent of their current clients are eligible for Medicaid. Wasatch County reported similar

numbers. Creating a capitated system would require significant administrative infrastructure. Both areas suggested that doing so for such a small percentage of the overall clients served did not make sense at this time.

Wasatch County also stated that savings from SUD capitation may not occur for them in a similar fashion as mental health capitation. Most of the savings stemming from capitation materialized as a result of savings from hospitalization rates. SUD services do not include an inpatient benefit. Neither Local Authority operates a residential facility. The possibility of creating savings by providing services at a lower level of care is compressed because spending per client is comparatively low in these areas.

The vast majority of clients receiving SUD services from in Wasatch County and the Bear River service area are not Medicaid beneficiaries. Creating the administrative structure required to operate a capitated system capable of managing the risk would require careful analysis. Bear River expressed concern that capitation could have the unintended effect of limiting service options for individuals who are not Medicaid eligible.

**Recommendations:**

DSAMH will continue to work with the Utah Department of Health and all local authority programs to ensure that public dollars deliver critical services to those most in need including Medicaid beneficiaries.

DSAMH will work with the Utah Department of Health to prepare data reports that identify the number of Medicaid eligible individuals in each of these catchment areas for review by local authorities.

DSAMH will continue to track the number of clients served in public behavioral health through the Medicaid program and those who receive services through other means.